

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name		2 Issuer's employer identification number (EIN)	
HealthSouth Corporation		63-0860407	
3 Name of contact for additional information	4 Telephone No. of contact	5 Email address of contact	
Mary Ann Arico	(205) 969-6175	maryann.arico@healthsouth.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact		7 City, town, or post office, state, and Zip code of contact	
3660 Grandview Parkway		Birmingham, AL 35243	
8 Date of action		9 Classification and description	
April 23, 2015		Recapitalization - HSRPP exchanged for HLS common stock	
10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)
421924408 & 421924309		HSRPP & HLS	

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ **On April 23, 2015, HealthSouth Corporation ("HealthSouth") caused all 96,245 shares of its outstanding 6.5% Series A Convertible Preferred Perpetual Stock ("HSRPP" or "the "Preferred Stock") to be converted into HealthSouth common stock ("HLS"). The holders of the Preferred Stock received 33.9905 shares of HealthSouth common stock for each share of the Preferred Stock. Cash was paid in lieu of fractional shares.**

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ **Pursuant to Section 358 of the Internal Revenue Code, a holder's tax basis in each share of HealthSouth common stock received equals the holder's tax basis in the Preferred Stock held immediately prior to the conversion, divided by the aggregate number of HealthSouth common shares into which the Preferred Stock was converted. For example, if immediately prior to the conversion, a holder owned one share of the Preferred Stock with a tax basis of \$1,000, and the one share of Preferred Stock was converted into 33.9905 shares of HealthSouth common stock (1 x 33.9905), the holder's tax basis in each share of HealthSouth common stock received is \$29.42 [(1x\$1,000 basis)/33.9905 shares]. The holder's tax basis in the fractional share deemed received and redeemed for cash is \$29.14 (\$29.42x0.9905). If a holder has purchased more than one lot of the Preferred Stock at different prices, the holder will have a different basis in each lot of the Preferred Stock. The basis in each lot must be calculated separately.**

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ **Not applicable.**

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ► **The Internal Revenue Code sections that apply to the conversion of the Preferred Stock are: (i) Section 354(a)(1), regarding an exchange of stock in certain reorganizations; (ii) Section 368(a)(1)(E), regarding a recapitalization; (iii) Section 358, regarding basis to distributee; (iv) Section 302(a), regarding redemptions of stock; and (v) Section 1223, regarding holding period of property.**

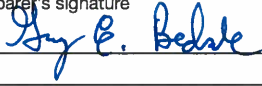
18 Can any resulting loss be recognized? ► **To the extent holders receive shares of HealthSouth common stock in the conversion, the holders should not recognize gain or loss for U.S. federal income tax purposes. Cash received in lieu of fractional shares of HealthSouth common stock should be treated as a payment in a taxable exchange, and a holder should recognize gain or loss on the receipt of such cash in an amount equal to the difference between the amount of cash received and the tax basis allocable to the fractional share of common stock. Please consult with your tax advisor for more information.**

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ► **The recapitalization occurred in calendar year 2015. Shareholders should consult with their tax advisor if they have questions regarding their individual use of the information provided on this Form 8937.**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here
Signature ►  Date ► 6/1/2015

Print your name ► **Robert W. McCallum, III** Title ► **Vice President**

Paid Preparer Use Only	Print/Type preparer's name Gary E. Bedsole	Preparer's signature 	Date <u>6/1/15</u>	Check <input type="checkbox"/> if self-employed	PTIN P01275214
	Firm's name ► KPMG LLP	Firm's EIN ► 13-5565207		Phone no. (205) 324-2495	
	Firm's address ► 420 20th St. N, STE 1800 Birmingham, AL 35203				